

CONFIDENTIAL

Northwest Indiana Regional Development Authority Application for Financial Support

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Applicant: Gary/Chicago International Airport Authority

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Applicant's legal status: IC 8-22-3, IC 36-7.5-1-2.

The Gary/Chicago International Airport Authority (the "Authority"), a municipal corporation, owns and operates the Gary/Chicago International Airport (the "Airport"). As the governing board, the Authority is responsible for monitoring and ensuring adherence to policy, legal and fiduciary compliance of the federal, state and local funds and resources involved with operations, capital improvements and development of the Airport. The seven-member board represents regional stakeholders with appointments made by the City of Gary, Lake County, Porter County, and the Indiana Office of the Governor.

Project Description:

The Authority is requesting a grant of \$20.0 million dollars to be received in two installments. The Authority may have additional requests to be presented at a later date. The Authority requests the first installment of \$8.2 million to be received October 1, 2006 and the second installment of \$11.8 million to be received January 3, 2007. The grant will be used for land acquisition related costs, wetland mitigation, railroad relocation, debt service costs, program management costs and the required local match for its various grant funding sources. Local matching funds and additional grant funding secured by the Airport are required to complete the projects for which the FAA Letter of Intent ("LOI") of \$57.8 million was awarded in February 2006 (Attachment 11) and for a

Federal Highway Administration ("FWHA") transportation grant in the amount of \$7.0 million.

The projects to be funded from these sources (the "Projects") will consist of land acquisition, relocation of the railroad tracks, runway expansion, extension of and development of standard Runway Safety Areas ("RSA") and approach surfaces, extension of the existing taxiway and relocation of power lines. The Projects' completion will allow larger aircraft with greater passenger capability and cargo payloads to use the Airport. The Airport expects that the Projects will create an additional opportunity for one or more commercial service airlines to provide air service from the Airport.

The principal objectives of the Projects are to (i) enhance operational safety resulting in standard RSA's at each end of the primary runway ("Runway 12/30") in accordance with FAA requirements and (ii) to meet the needs of existing and future Airport tenants by increasing airfield capacity.

The existing airfield configuration consists of two active runways 12/30 and 02/20 which are used for charter, corporate jet, general aviation, on demand cargo operators, and passenger service. Presently Runway 12/30 has non-standard RSA's and limited runway length usage because of an active railroad on an elevated embankment at the end of Runway 12. The current railroad location, approximately 200 feet from the physical end of Runway 12/30 effectively limits the amount of runway available for approaches and departures of passenger, cargo and general aviation aircraft. For airlines providing passenger service, this limits the air service that can be provided from the Airport and the economic viability of serving certain destinations.

The railroad relocation portion of the Projects consists of land acquisition, construction of the replacement tracks along the agreed-upon route, removal of the existing railroad tracks, and removal of the embankment upon which the tracks currently run (Attachment 10). The extension of Runway 12/30 will increase its length from its current length of 7,000 feet to 8,900 feet (Attachment 10). The Airport has determined that current and future airline operators will require more than a 7,000-foot runway to operate efficiently and safely to provide service to desired destinations especially in warm weather. The purpose of the extension is to provide departure and arrival capabilities for cost-effective aircraft operations within a 1,500-mile range from the Airport. An additional portion of the Projects will extend the existing taxiway to serve the extension of Runway 12/30. The final portion of the Projects will relocate and/or bury the power lines which are located along the future perimeter of the Airport

Economic Impact Statement:

Completion of the Projects is expected to generate both temporary and long-term economic benefits to Gary and the Northwest Indiana regional economy. Temporary benefits can be expected during the construction phase with current

construction costs estimated at \$92.2 million. The expenditures of federal, State and local funds for materials and labor will create direct economic benefits in the region as well as create indirect benefits when supplying local industries which purchase goods and services to construct the Projects. The temporary economic benefits will start at the beginning of construction and end shortly after the construction is complete. Although the direct construction benefits occur during a short period of time, they will provide an increase in the Northwest Indiana employment, income and sales output for years to come.

Over the long term the Airport expects that passenger air service and enplanements will increase as a direct result of the Projects' completion. The Boyd Group in a study completed in October 2005 estimates for every 500 annual enplanements one full-time equivalent job would be created and every passenger enplanement equates to approximately \$443.00 in economic impacts (Attachment 4 & 5).

It is also estimated that there will be additional construction and capital improvement projects in future years specifically related to the terminal building expansion which will eventually be required to accommodate the increased passenger volumes anticipated from the completion of the current Projects. These estimates include terminal design, construction and implementation at the Airport. These future construction projects will generate additional economic benefits. It is estimated that for every \$100,000 of development costs spent, one full-time equivalent job would be created (Attachment 4).

Quality of Life Statement:

The Projects are included in the Airport Master Plan (Attachment 1) to meet the needs of existing and future users. The Airport completed an Environmental Impact Statement (the "EIS") in October 2004 which was approved by the FAA on March 5, 2005 (Attachment 17). The EIS concluded that there were no significant cumulative impacts identified in conjunction with the proposed runway extension project for the following environmental areas: Historic, Archaeological, and Cultural Resources, Farmland, and light Emission. However, the EIS identified that an area containing wetlands will have to be mitigated as part of the Projects. The Wetland Mitigation Plan is being developed and a permit application process was initiated with the Corps of Engineers and Indiana Department of Management (IDEM). Funding for the Wetland Mitigation Plan is included with the funding for the Projects.

The EIS emphasized in detail the economic impact of the construction phase of the improvement and post construction phase using an Economic Assessment Methodology (a regional input-output model developed utilizing methods established by the U.S. Department of Commerce and Bureau of Economics Analysis). The outcome of this economic study showed a potential that completion of the Projects might support an average annual total of 228 jobs for

local workers during the three-year construction phase and a total amount of economic activity that the local economy will experience due to the direct construction investment of \$92.2 million.

The extension of Runway 12/30 is expected to require some minor displacement and relocation of existing businesses. Negative impacts to the community from construction are expected to be minimal since the majority of the construction activities will occur on Airport or undeveloped properties.

Funding Requests and Financial Analysis: (Attachment 13)

Total project cost: \$92,154,305 excluding financing costs

Funds requested from the RDA: \$20,000,000

Total funds from other sources:

Federal: \$66,692,934

State: \$ 2,937,531

Other local sources: \$10,375,077

The Airport applied and received a LOI Grant of \$57.8 million from the FAA made up of discretionary and AIP entitlement funds. The Airport is in the process of securing debt financing related to the 10-year LOI Grant. The Airport has applied for and has been granted an FHWA grant in the amount of \$7.0 million, payable over a three-year period. The Airport is in the process of being awarded \$9.5 million in Passenger Facility Charges ("PFC") through the Chicago/Gary Regional Airport Authority, which would be received in progress payments in 2007. The State of Indiana funds will be awarded as matching funds upon completion of the project and receipt of the LOI funds. Additionally, the Airport anticipates submitting its own PFC application as passenger service develops. The Airport's PFC's are expected to be received over the next eight years based on passenger service levels at the Airport.

Project Timeline: The Projects are estimated to be completed over approximately three years. Portions of the Projects began in 2005 and 2006 with the majority of the construction anticipated to begin in the spring of 2007. Completion of the Projects is expected in 2008 (Attachment 14).

Supporting Materials:

A: Attached

1. Master Planning, Development & Expansion
2. Chicago/Gary Regional Airport Authority Annual Report
3. The Economic Impact of Airports in Indiana Summary Report
4. Project Report of Potential Economic Benefit Analysis - Scheduled Passenger Service
5. Summary of Preliminary Findings Potential Economic Benefits Analysis

6. Catchment Area Analysis
 7. Gary/Chicago Airport Catchment Analysis Update
 8. Phase 1, 2, 3 Drawings
 9. Development of an Air-Rail Multi-Modal Center
 10. Railroad & Runway Extension Drawing
 11. Letter of Intent Approval
 12. Overview of the FAA's Mission, Organization, & Resources
 13. Financial Modeling
 14. Timeline
 15. Ethics Ordinance
- Appendices: Runway Length Analysis & EIS Record of Decision on Disk

B: Statement of Relationship to Other Existing or Proposed Economic Development Projects

As addressed in the Airport's Master Plan, the Airport is actively working toward a single location for passenger air service, bus transportation and rail service provided by the South Shore and Amtrak rail lines.

C: Ethics Guidelines

The Airport has enclosed its policy (Attachment 15).

Bibliography:

Airport & Airline Projects, Inc. "Catchment Area Analysis."

Aviation Association of Indiana. "The Economic Impact of Airports in Indiana." October 2004.

Black, Elliot and Larry Ladendorf. "Overview of the FAA's Mission, Organization, & Resources." February 2006.

Sabre Airline Solutions. "Gary/Chicago Airport Catchment Analysis Update." October 2004.

SCB & Associates, Inc. "Development of an Air-Rail Multi-Modal Center."

The Boyd Group Aviation Consulting & Forecasting. "Potential Economic Benefit Analysis-Scheduled Passenger Service." September 2005.